

BANCA D'ITALIA

SERVIZIO SEGRETERIA PARTICOLARE - Divisione Collegamento e Informativa
sull'Estero (13 b)

SUPPORTO PER LA TRASMISSIONE/RICEZIONE DI FACSIMILE DI DOCUMENTI

MITTENTE:	Carlo A. CIAMPI, Governor, Bank of Italy, Rome		
FROM	Numero di telefax 0039/6/47923514 or 47922253		
	NOTE Please find herewith enclosed copy of a letter sent to-day to President Delors		
DESTINATARIO:	Gunter D. BAER, Assistant Manager, B I S, Basle		
TO	Numero di telefax _____ All'attenzione di _____		
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Il Governatore della Banca d'Italia

Rome, 20 March 1980

Dear President,

Further to our last meeting, and in the spirit of its conclusions, which concretely set up the last stage of our work with the request for specific comments, I send my proposals.

As a preliminary remark, however, I wish to emphasize that in my view, from the standpoint of substance, the Report does fulfil our mandate in a satisfactory way and shows that the special expertise represented in the Committee has made it possible to formulate a coherent set of concrete steps towards monetary and economic union. It also reflects the thrust of the discussions we have had over several months. This notwithstanding, as I and other members of the Committee have noted, the present draft of the Report, the accretion of various versions and contributions, is a bit heavy and repetitious in places: its readability could be improved by reducing its length.

As far as Part I is concerned, a specific suggestion could be to limit it to the essential purpose, avoiding too much detail on the historical origin of the present unification endeavour, the restatement of ideas and concepts that are now common knowledge in Europe, passages that overlap with Part II (the paragraphs mainly involved are: 4,7,11,13,14,15,16,17 and 18).

I have no general proposals for Part II. I only wish to recall that at our February meeting it was agreed to

Mr. Jacques DELORS
President
Commission of the
European Communities
200 Rue de la Loi
1049 Brussels

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use the formula "should develop" when mentioning the ECU in connection with the transition to a single currency.

The present text of Part III needs strengthening. Our mandate was to identify concrete steps towards EMU: we would not meet this requirement if we were to propose a Phase One which only a very generous reader could call a concrete step and a Phase Two that was anything but concrete. The final phase would then be the only meaningful one.

A fundamental element in a significant Phase Two, which should be stated clearly in the Report, is the setting up of an operational structure assuring joint management of monetary policy in the Community. I do not request the Committee's endorsement of my proposal, of which I will soon send a version unifying the two drafts I have submitted, but just that it be appropriately referred to in the main text and published in an annex. This would provide an example of an operational solution and illustrate the need for joint management of monetary policy.

Another basic requisite for Phase Two is the pooling of reserves and responsibilities envisaged by Governor de Larosière with the constitution of the ERF.

The suggested redrafting of paragraph 69 by Professor Thygesen, as outlined in his letter to you of 9 March, is a good basis for satisfying my request. If other members of the Committee have alternative or additional proposals answering the need to endow the Community with an operational monetary framework going beyond co-operation, I would of course be glad to see a joint presentation of the various options in the Report.

The last point I would like to make, apart from some specific comments which I attach, regards the proposed addition by Governor Duisenberg of paragraphs 73 to 77. I agree with the kind of procedure he suggests but I fear that certain points could generate significant, potentially indefinite delays in the approval of the new Treaty. I would therefore suggest amending the text of paragraphs 75-76 to make the procedure more direct and dropping paragraph 77.

Sincerely,

Carl Duisenberg

C.A. CIAMPI

Rome, 20 March 1989

Specific comments

As regards the comments raised by Mr. Jaans I would like to raise two points: firstly, I do not think it would be wise in shortening paragraphs 6 to 18 to lose the idea that EMU is a natural and desirable extension of the unified market; secondly, the text proposed by Mr. Jaans on the difference between the EMS and the EMU is much less balanced than that of the draft Report (paragraphs 16 and 29). Though necessary, the shortening of the two paragraphs should not lead to a presentation that is not even-handed.

There are three other points that I believe deserve to be mentioned.

1) Paragraph 12 could be misinterpreted as implying that, since there are limits to voluntary co-ordination, we recommend a non-voluntary form. In reality, the distinction is not between voluntary and non-voluntary co-ordination but between "case-by-case voluntary co-ordination" and "once-and-for-all voluntary co-ordination". What is required is for binding mechanisms to be built on the basis of a once-and-for-all undertaking to co-operate, in order to avoid the painstaking, and risky, process of having to achieve consensus on each single policy action. In terms of drafting, at lines 7 and 14 of this paragraph I would substitute "case-by-case voluntary co-ordination" for "voluntary co-ordination".

ii) In paragraph 38 I doubt whether it is wise to go to the length of foreseeing the participation of the President of the Council and the President of the Commission in meetings of the ESCB Council, or the participation of the Chairman of the ESCB Council in meetings of the Council of Ministers.

iii) Paragraph 63, just before the indents, ("Coordination" - on budget imbalances - "would be based on recommendations and carried out taking due account of the views of the Committee of Governors") risks encroaching on the competence of other bodies.